

Incitec Pivot Ltd (IPL) – Climate Transition Analysis

Questions for investors and lenders to ask management

Recommended Questions	Report Key Takeaways
<p>Q.1 Question: <i>Will the company broaden its engagement with suppliers for a clearer 1.5°C pathway alignment?</i></p> <p>Background: The company's Scope 3 upstream emissions represented 29% of its total GHG emissions in 2022. Still, Incitec Pivot's supplier engagement strategy, focused on gathering key climate and carbon information from only 5% of suppliers by number, 5% by procurement spend, and 4% by supplier-related Scope 3 emissions. (p. 4 and 8 of the report).</p> <p>Target: Increase the coverage of suppliers' engagement, especially in terms of supplier-related Scope 3 emissions.</p>	<ul style="list-style-type: none"> By 2030 the majority of Incitec's total GHG emissions will come from downstream Scope 3 activities (43%), followed by Scope 1 activities (32%). Without further mitigation, Incitec Pivot's total GHG emissions will overshoot SBTs by 23%, pushing its 1.5°C pathway alignment towards a well-below 2°C warming scenario by 2030. To close this gap the company's engagement sensibly focuses on its customers as emissions from fertilizer use constitute 53% of its total Scope 3 emissions in 2022; however, a wider engagement with suppliers and scrutiny of member organisations misaligned with the Paris Agreement is recommended. Lastly, a more detailed connection between mitigation projects and transition investments would enhance Incitec's transparency and align the company's efforts more clearly to its 1.5°C target by 2030, and subsequent Net Zero by 2050.
<p>Q.2 Question: <i>Will Incitec Pivot enhance its strategy disclosures when engaging with Paris Agreement misaligned associations, especially when the misalignment persists?</i></p> <p>Background: Incitec Pivot's climate policy landscape is marked by a mix of support, conditions, and exceptions. Clear communication on the steps taken to address misalignments within industry associations will strengthen Incitec's commitment to climate action. (p. 8-9).</p> <p>Target: Disclose engagement KPIs with misaligned entities and a time-bound exit strategy when required.</p>	
<p>Q.3 Question: <i>Will the company improve its disclosures linking climate transition investments and the expected emissions reduction?</i></p> <p>Background: Incitec Pivot's climate-aligned capital initiatives demonstrate a solid commitment to its climate transition, with financial commitments and strategic projects underway. However, a more detailed connection between mitigation projects and transition investments would increase transparency and show a stronger connection between the company's efforts and its 1.5°C target (p. 20).</p> <p>Target: Link the company's climate investment to expected carbon mitigation categories and expected mitigated quantities, in absolute terms.</p>	

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